

Message Text

CONFIDENTIAL

PAGE 01 STATE 139898

55

ORIGIN EB-11

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00

SSO-00 USIE-00 INRE-00 PA-04 PRS-01 IO-14 EA-11 SAI-01

FEA-02 AEC-11 AID-20 CEA-02 CIEP-02 COME-00 FPC-01

H-03 INR-10 INT-08 L-03 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 DRC-01 /185 R

DRAFTED BY EB/FSE:SHINN/S/P:RUSER/L:HOPKINS:BM

APPROVED BY EB - THOMAS O. ENDERS, DESIGNATE

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FM SECSTATE WASHDC

TO AMEMBASSY BRUSSELS IMMEDIATE

C O N F I D E N T I A L STATE 139898

E.O. 11652: GDS

TAGS: ENRG, BE

SUBJECT: ENERGY COORDINATING GROUP: IEP PROPOSAL

REF: BRUSSELS 4620

THE FOLLOWING RESPONDS TO THE QUESTIONS POSED REFTTEL:

1. QUANTITATIVE DATA: QUESTION OF NUMBERS WAS DISCUSSED AT LAST IERG MEETING AND CONSENSUS WAS WE NOT YET PREPARED TAKE POSITION ON THIS ASPECT OF IEP. THEREFORE, YOU SHOULD SEEK DETERMINE OTHERS' VIEWS ON NUMBERS THEY TH NKING OF, BUT AVOID ADVANCING ANY US FIGURES, OTHER THAN 5 PERCENT FOR TRIGGER, DISCUSSED AT LAST MEETING.

2. FAIL-SAFE MECHANISM: IN OUR DRAFT ON "FAIL-SAFE" WE LIMITED SENIOR CRISIS MANAGEMENT COMMITTEE'S REVIEW OF CRISIS MEASURES TO DETERMINATION OF FACTS AND APPLICATION OF STATED NUMERICAL CRITERIA, SPECIFICALLY IN ORDER TO STIFFEN MEMBERS RESOLVE AND THUS INCREASE DETERRENT EFFECT
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 139898

BY ELIMINATING POLITICAL CONSIDERATIONS WHICH ARE CERTAIN

TO ARISE IN ANY SIGNIFICANT CRISIS AND WHICH, THROUGH WEAKNESS, INDECISION, OR SPECIAL INTERESTS OF A GIVEN COUNTRY (INCLUDING US) COULD RESULT IN FAILURE TO APPLY THE PLAN JUST WHEN IT IS MOST NEEDED. IF IT BECOMES ESSENTIAL TO RETAIN POSSIBILITY OF INTRODUCING POLITICAL CONSIDERATIONS, WE CAN PROVIDE APPROPRIATE LANGUAGE.

IN ANY EVENT, WE ARE DEVISING VOTING PROCEDURES AND FORMULAE WHICH MAY ALLEVIATE THE PROBLEM.

OUR BASIC CONCEPT IS THAT THE SENIOR CRISIS MANAGEMENT COMMITTEE WILL DEAL WITH QUESTIONS OF ENERGY POLICY, REVIEWING THE ACTION OF THE SECRETARIAT IN THESE TERMS, BUT EXCLUDING BROAD POLITICAL CONSIDERATIONS. IN THE EVENT OF A SUFFICIENTLY SEVERE CRISIS THE GROUP WOULD OF COURSE REVIEW THE FULL SPECTRUM OF ITS POLICIES AT THE MINISTERIAL LEVEL, INCLUDING FOREIGN MINISTERS AND SENIOR ENERGY OFFICIALS.

3. TRIGGER: THE BASIC NOTION UNDERLYING OUR FORMULATION IS THAT THE AGREEMENT SHOULD PROVIDE FOR A SENSITIVE TRIGGER. A COUNTRY SUBJECT TO SELECTIVE EMBARGO SHOULD IN PRINCIPLE BE ENTITLED TO ASSISTANCE EVEN THOUGH, IN PRACTICE, THE RIGHT MAY NOT BE EXERCISED BECAUSE SUPPLIES CAN BE OBTAINED FROM OTHER SOURCES. COUNTRIES WHICH HAVE SUBSTANTIAL DOMESTIC PRODUCTION SHOULD BE ENTITLED TO THIS ACT OF GROUP SOLIDARITY JUST AS MUCH AS COUNTRIES WITHOUT PRODUCTION.

THE FORMULATION OF THE TRIGGER IN NO WAY ALTERS THE ALLOCATION FORMULA. THUS, ACTIVATION OF THE ALLOCATION MECHANISM AT A RELATIVELY LOW THRESHOLD DOES NOT CREATE AN "ADVANTAGE" FOR THE US OR ANY ONE ELSE (SINCE ONCE ALLOCATION BEGINS ALL MEMBERS MUST BEGIN DRAWING ON STOCKS AND SHARING IMPORTS ON THE AGREED FORMULA).

IF THE PRINCIPLE OF A SENSITIVE TRIGGER IS ACCEPTED, TO BASE THE TRIGGER ON NET OIL IMPORTS SEEMS TO US THE LOGICAL WAY TO PROCEED SINCE IT IS IMPORT CUTBACKS WE ARE SEEKING TO PREVENT. THE AGREEMENT SHOULD PROVIDE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 139898

FOR THE ACTIVATION OF ALLOCATION EVEN FOR RELATIVELY SMALL CUTBACKS IN ORDER TO DISCOURAGE AS EMPHATICALLY AS POSSIBLE ANY SELECTIVE EMBARGOES.

A SENSITIVE TRIGGER COULD OF COURSE BE OBTAINED BY SETTING THE PERCENTAGE FIGURE LOW IN RELATION TO TOTAL SUPPLY IF THIS WERE MORE PALATABLE POLITICALLY, HOWEVER, IN THE LAST ECG MEETING CERTAIN COUNTRIES EXPRESSED RESERVATIONS

ABOUT A LOW PERCENTAGE SUCH AS THE 5 PERCENT FIGURE WHICH WE HAD ADVANCED FOR DISCUSSION PURPOSES. FOR THE US -- AND OTHER COUNTRIES AS THEY DEVELOP SUBSTANTIAL PRODUCTION LATER IN THE DECADE -- THE DIFFERENCE BETWEEN 5 PERCENT OF NET OIL IMPORTS AS A TRIGGER AND 5 PERCENT OF TOTAL AVAILABLE OIL SUPPLY IS VERY SUBSTANTIAL. PRODUCER COUNTRIES WOULD HAVE TO MAKE VERY SUBSTANTIAL CUTS IN

SUPPLIES BEFORE COUNTRIES WITH DOMESTIC PRODUCTION WOULD BE ENTITLED TO ANY ASSISTANCE EVEN IN PRINCIPLE THROUGH ACTIVATION OF THE ALLOCATION MECHANISM.

EXAMPLE ON ALLOCATION TRIGGER: AN EXAMPLE MAY BE HELPFUL IN CLARIFYING OUR DIFFICULTY IN ACCEPTING SUPPLY BASED TRIGGER FOR ALLOCATION COUPLED WITH HIGHER PERCENTAGE. IN CY 73 OUR IMPORTS FROM ARAB SOURCES WERE 1.6 MILLION B/D WHICH IS SOMEWHAT LESS THAN 10 PERCENT OF TOTAL US CONSUMPTION THAT YEAR. THUS IF TRIGGER WERE 10 PERCENT OF TOTAL SUPPLY, US WOULD HAVE BEEN OFFERED NO PROTECTION AGAINST SELECTIVE TOTAL EMBARGO BY ARABS LAST YEAR.

IF, BY MOVING TO SUPPLY BASE, WE COULD PRESERVE 5 PERCENT FIGURE (ASSUMING THIS BECOMES THE US POSITION) THIS WOULD SOLVE OUR DIFFICULTY. DO YOU SEE ANY POSSIBILITY FOR COMPROMISE WITHIN THESE PARAMETERS WHICH WOULD COVER TOTAL ARAB SELECTIVE EMBARGO AGAINST US? SISCO

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